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3 Explanation of Wool Payment Program as
It Affects Marketings of Shorn Wool and Lambs in the
1955 and the 1956 Marketing Years //

This statement presents general information on the new 1956 wool payment program together with examples of how the program as announced January 12, will work on marketings of shorn wool and lambs for the 1956 marketing year beginning April 1. It is designed to assist producers in determining how they will be affected by selling wool or lambs before April 1 so as to apply for payments under the 1955 program, or by selling on or after April 1 so as to come under the program for the 1956 marketing year.

General Information

Under the plan to begin with marketings April 1, 1956 the payments will be made on sales of unshorn lambs regardless of whether the lambs are sold for slaughter, feeding or replacement. Then if the new owner sells the lambs with the wool on, the payment will be adjusted downward by the amount due on the lambs as purchased. Likewise, if the new owner shears the lambs either in the feed lot or as a part of his replacement stock, his incentive payment on shorn wool will be adjusted downward by this same amount.

The method of figuring the rate of payment on lambs marketed with the wool on will be the same as for the 1955 marketing year. Lambs' wool, on the average, is coarser in grade and shorter in staple length than the U. S. shorn wool clip. Therefore, 80 percent of the difference between the national average price received by producers and the 62-cent incentive price is used in figuring the rate of payments for unshorn lambs. The rate is figured on the basis of 5 pounds of wool per hundredweight of live lambs, but allowing for the adjustment in price, for easy figuring it is equivalent to 4 pounds per hundredweight.

Thus, under the plan for the 1956 marketing year the original producer who sells an unshorn lamb weighing 70 pounds will get a lamb payment for 2.8 pounds of wool (70 lbs. liveweight x 4 lbs. per cwt.). Then the feeder who buys that lamb and brings him up to 100 pounds and sells him unshorn will get a lamb payment for 4 pounds of wool less the 2.8 pounds to be paid the original producer. Likewise, the breeder who buys the unshorn lambs at 70 pounds, puts him in his band or flock, and later shears him along with the others, will get a shorn wool payment for the full quantity of wool he shears and sells, less the 2.8 pounds to be paid the earlier owner as a lamb payment.

The adjustment in the payments to later owners will eliminate duplication in the total amounts paid. In effect, the original producer and later feeder or breeder-owners will share in the lamb payment according to the weight gained by the lambs while in their possession. Slaughterers, marketing agencies and dealers will no longer need to provide the evidence of sale for slaughter required for payments as under the 1955 marketing year. All the producer will need in support of his application will be the sales documents showing the

pounds and net proceeds of shorn wool sold, the number and pounds of unshorn lambs sold and a record of the number and pounds of unshorn lambs purchased. The payments will be made only on lambs that have never been shorn.

Thirty days' ownership of the lambs sold or the animals from which the wool is shorn will still be required in order to be eligible for payments. No adjustment in the payments will be made for lambs purchased before April 1, 1956. In that way feeders and others who have bought or will buy unshorn lambs on the 1955 marketing year's basis and sell them or the wool from them during the 1956 marketing year will not be affected.

Selling Shorn Wool

Aside from the requirement that the wool must not have been shorn prior to January 1, 1955, the time of shearing is not a factor in the eligibility for payments under the payment program. The important point is that the sale of the wool must be completed within the marketing year. This means that in addition to making delivery and transferring title, all the factors (price per pound, weight, etc.) needed to determine the net sales proceeds for the wool and make settlement for it must be known.

Thus under the Act and the regulations, a grower may hold several clips and sell them all in one marketing year. For example, he could hold his 1955 wool and sell it with his 1956 clip in the 1956 marketing year if he desired. In such case the payment for all the wool sold during the 1956 marketing year including that carried over from 1955 will be at the rate established for the 1956 marketing year. Following are answers to questions that have been asked:

Question 1.

Some wool growers who shear early have inquired as to whether, having held their 1955 clip until after April 1, 1955 for sale in the 1955 marketing year, they can sell their 1956 clip before April 1, this year and be eligible for a payment covering both their 1955 and 1956 clips in the 1955 marketing year. Answer: Yes.

Question 2.

Likewise some growers have inquired as to whether, after not having sold their 1955 wool clip by March 31, 1956, they can sell both their 1955 and 1956 wool clips in the 1956 marketing year and be eligible for payment on both clips. Answer: Yes. The payments on all the wool sold during the 1956 marketing year will be at the percentage rate determined for the 1956 marketing year and the payment will be made in the summer of 1957. The incentive level is 62 cents for both years but the percentage rates of payment will depend upon the average price received by producers for the respective marketing years.

Selling Lambs

With the change in the method of handling lamb payments under the 1956 program beginning with marketings April 1, 1956, the producer should take into consideration the following in selling lambs:

1. In selling before April 1, 1956.

- a. If he sells for slaughter unshorn lambs or lambs that have been shorn but have a growth of $1\frac{1}{2}$ inches of wool at the time of sale and gets the required certification that the lambs were purchased for slaughter, he will be eligible for payment under the 1955 program. The payment will be made sometime this summer.
- b. If he does not sell the lambs for slaughter and have the required slaughter certification, he will not be eligible for payment but the buyer, having purchased the unshorn lambs prior to April 1, 1956, will be eligible to receive full payment under the 1956 program when selling the unshorn lambs or any wool sheared from them provided he holds them for a period of 30 days. Thus a producer selling unshorn lambs prior to April 1, 1956 for other than slaughter should endeavor to get a price that reflects the prospective payment the new owner will be eligible to receive.

2. In selling on and after April 1, 1956.

- a. Payment will be made on all sales of lambs that have never been shorn, irrespective of the purpose for which the lambs are purchased. The method of figuring the payment for all sales will be the same as used in figuring the payment for sales for slaughter during the 1955 marketing year. (See example II A 2 attached.) Thus slaughter certifications will not be required for sales on or after April 1, 1956 for payments under the 1956 program. However, the lambs must have been owned for a period of 30 days the same as for payments under the 1955 program. Payments will not be made on lambs that have been shorn even though they may have an inch and a half growth of wool at the time of sale.
- b. If the unshorn lambs sold were purchased on or after April 1, 1956, the payment will be based on the weight gained by the lambs during the applicant's ownership. (See example II B 2 attached.) Thus in effect the total amount paid on the lamb is shared by the original producer and the later feeder or pasturer-owner according to the weight put on the lamb by each.

Buying Lambs That Have Never Been Shorn

Breeders and feeders should take into consideration the following when buying lambs:

1. If purchased before April 1, 1956.

They will be eligible for full payment under the 1956 program on the lambs if sold unshorn or on the sale of any wool sheared from the lambs provided the lambs are owned for a period of 30 days. For example, the breeder who buys ewe lambs before April 1, 1956 and shears the lambs will be eligible for a full payment on the shorn wool. Likewise a feeder who has bought lambs before April 1, 1956 can sell the lambs unshorn in the 1956 marketing year and be eligible for full payment.

2. If purchased on or after April 1, 1956.

They will be eligible for payment under the 1956 program on the lambs if sold unshorn or on the sale of any wool sheared from the lambs the same as in the case of purchases before April 1, 1956 but the amount of the payment will be adjusted downward by the amount of payment which could have been claimed by previous owners. For example, the breeder who buys ewe lambs after April 1, 1956 and shears the lambs will have his payment on the sale of shorn wool adjusted downward by the amount due as a lamb payment on the weight of the lambs at the time purchased. Likewise payments to feeders will be adjusted downward by the amount of payment due on the weights of the lambs as purchased.

Under the regulations "unshorn lambs" are defined as young ovine animals which have not cut their second pair of permanent teeth and that have never been shorn. Thus the producer who sells yearling ewes that have never been shorn is eligible for payment. Likewise the person who buys them for breeding and shears them for the first time must report their purchase in his shorn wool application.

EXAMPLES OF HOW THE WOOL PAYMENT PROGRAM, AS ANNOUNCED JANUARY
12, WILL WORK FOR THE 1956 MARKETING YEAR BEGINNING APRIL 1

I Figuring Rates of Payment to be Announced After the Marketing Year is Over
(Sometime in the summer of 1957)

Assuming the U. S. average farm price for shorn wool received by producers for the marketing year is 45 cents, the rates of payment will be figured in the same methods as used in figuring the 1955 rates, as follows:

A. Rate of Shorn Wool Payments.

Incentive price as announced	62 cents
Reported average price received by growers for the year	<u>45</u> cents
Difference	17 cents
Percentage necessary to bring 45 cent average up to 62 cent level	37.8%

The 37.8% rate is to be applied to the net proceeds from shorn wool received by each producer in figuring his payment.

B. Rate of Unshorn Lamb Payments.

Incentive price for shorn wool as announced	62 cents
Reported average price received by producers for the year	<u>45</u> cents
Difference	17 cents
80% of difference to adjust for grade and staple	13.6 cents
Average weight of wool per cwt. of live lamb	<u>5</u> pounds
Rate of payment per cwt. of unshorn lamb	68 cents

The 68 cents per cwt. of live lamb rate is to be applied to the live-weight of unshorn lambs sold by each producer in figuring his payment.

II Applying Rates to Figure Payments Due Individual Producers

The rates of payment as announced after the end of the marketing year (in the summer of 1957 for the 1956 marketing year) will be applied as follows in figuring the payments due individual producers.

A. Payments to Producers Who Did Not Purchase Any Unshorn Lambs.

1. Shorn Wool Payment - Payment to a producer in connection with the sale of shorn wool, all of which was shorn from sheep and/or lambs raised by the producer.

Net proceeds from sale of 6,000 pounds of shorn wool	\$2,700.00
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Payment rate to bring average price for all wool up to incentive level	<u>37.8%</u>
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Payment	\$1,020.60
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2. Lamb Payment - Payment to a producer in connection with the sale of unshorn lambs he raised.

Net weight of 300 unshorn lambs sold	21,000 lbs.
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Announced payment rate per cwt.	<u>\$0.68</u>
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Payment	\$142.80
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B. Payments to Producers Who Purchased Unshorn Lambs.

A downward adjustment will be made in the payments to a producer if the sale of shorn wool or unshorn lambs, as the case may be, includes lambs or wool from lambs purchased unshorn on or after April 1, 1956. This adjustment in the payments to later owners is designed to eliminate duplication in the total amounts paid. If the applicant either shears the lambs or re-sells them with the wool on, the downward adjustment in his payment will in effect be the amount due previous owners under the unshorn lamb payment instructions.

1. Shorn Wool Payment - Payment to a producer in connection with the sale of shorn wool, some of which was shorn from lambs purchased on or after April 1, 1956, as unshorn lambs.

Net proceeds from sale of 6,000 pounds of shorn wool	\$2,700.00	
Payment rate	<u>37.8%</u>	
Gross payment		\$1,020.60
Less payment on lambs purchased, whose wool was included in the above sale:		
Weight of 300 unshorn lambs purchased	21,000 lbs.	
Announced payment rate per cwt.	<u>\$0.68</u>	
		\$ 142.80
Payment		<u>\$ 877.80</u>

2. Lamb Payment - Payment to a producer in connection with the sale of unshorn lambs which were purchased on or after April 1, 1956.

Weight of 300 unshorn lambs sold	30,000 lbs.	
Less:		
Weight of 300 unshorn lambs purchased	<u>21,000 lbs.</u>	
Net weight produced	9,000 lbs.	
Announced payment rate per cwt.	<u>\$0.68</u>	
Payment		\$61.20

C. Lambs Purchased Before April 1, 1956.

No adjustments will be made for lambs purchased before April 1, 1956. Thus, feeders and others who bought lambs on the basis of the 1955 program year will not be affected. However, lambs that have been shorn but have a $1\frac{1}{2}$ inch growth of wool at the time of sale will not be eligible for payments under the 1956 program. Such lambs are eligible for payment under the 1955 program when sold by March 31, 1956 for slaughter upon certification by the applicant that they had $1\frac{1}{2}$ inches growth of wool at time of sale.

Livestock and Dairy Division, CSS
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